

COUNCIL AGENDA: 06-21-05

ITEM: **B.3**

## Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Katy Allen  
William F. Sherry

**SUBJECT:** SEE BELOW

**DATE:** 06-16-05

Approved

Date

6/16/05

Council District: Citywide

**SUBJECT: NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT NORTH  
CONCOURSE BUILDING FOUNDATION PILES (Package 2)**

### **REASON FOR SUPPLEMENTAL MEMO**

To provide additional information after bids were opened.

### **RECOMMENDATION**

Report on bids and award of contract for the Norman Y. Mineta San José International Airport North Concourse Building Foundation Piles (Package 2) Project to the low bidder, Foundation Constructors, Inc., in the amount of \$5,543,350 and approval of a contingency in the amount of \$554,335.

CEQA: Resolutions No. 67380 and 71451, PP 05-087

### **BACKGROUND**

The North Concourse project is being constructed as part of the Airport Master Plan. Facilities in the North Concourse will include baggage screening equipment, security screening space, ticketing and baggage claim operations, holdrooms and jet bridge gates.

The City is implementing construction of the North Concourse Building Project in phases using a separate construction contract for each phase. The project began construction in August 2004. Package 1, Site Preparation and Excavation, that includes demolition, grading, excavation, shoring, dewatering, relocation of security fence and other associated miscellaneous work to prepare the site for subsequent contracts, is currently under construction. Package 2 will install the foundation piles for the North Concourse Building.

Bidders have been pre-qualified according to the City of San José policy.

## ANALYSIS

Bids were received on June 7, 2005 with the following results:

<u>Contractor</u>	<u>Total Bid</u>	<u>Variance Amount</u>	<u>Over/(Under) Percent</u>
Kiewit Pacific Co. (Concord)	\$5,995,858	\$1,635,858	38
Stroer & Graff, Inc. (Antioch)	\$5,848,500	\$1,488,500	34
Foundation Constructors, Inc.. (Oakley)	\$5,543,350	\$1,183,350	27
<b>Engineer's Estimate</b>	<b>\$4,360,000</b>	---	---

The Engineer's Estimate was increased from \$4,007,000 shown in the placeholder memo, due to changes in design included in six addenda issued after the project advertisement.

Upon review of the bids, a mathematical error was discovered in the bid submitted by Foundation Constructors, Inc. The bid price extension for two specific bid items did not equate to the number of units multiplied by the unit price. Section 2-1.05 of the City Standard Specifications, titled "Proposal Forms," indicates that in the case of a discrepancy between the extended price for any bid item bid, the unit price multiplied by the number of units shall prevail. The table above reflects the corrected bid, which is \$11,000 lower than the submitted total bid.

In addition to the above-described error, the Foundation Constructors bid also contained an irregularity on one of the Federal Certification forms required for submittal with the bid. The form, titled "Bidder's Statement on Previous Contracts Subject to EEO Clause," asks the bidder to respond as to whether or not they have participated in a previous contract subject to the equal opportunity clause prescribed by Executive Order 11246. The form also asks if the bidder has or has not fulfilled federal submission requirements for compliance reports on any such past contracts. The Foundation Constructors bid did include the required form properly signed; however, they did not indicate if they had or had not participated in such a prior contract and did not respond if they had met the federal submission requirements for such prior contracts. Staff has reviewed this irregularity and has determined that it does not impact the contractor's bid price and does not provide a competitive advantage to the bidder. The contractor's obligation to comply with the submission requirements under Executive Order 11246 are not impacted by its failure to complete the form, and the contractor's failure to complete the form does not impact its performance under the contract. For all of these reasons, staff has determined that this is a minor irregularity. Council has the ability to waive minor irregularities in bids under the City Charter, and staff therefore recommends that Council waive the minor irregularity and award the contract for the project to Foundation Constructors.

The low bid submitted by Foundation Constructors, Inc. is 27 percent above the Engineer's Estimate. Since the three bids were within 10 percent of each other, the low bid is considered to be a reasonable and appropriate price for the work to be performed. Staff believes that there are three reasons for the bid being higher than anticipated: 1) In reviewing the Engineer's Estimate, it was determined that the estimate may not have accounted for some items of work that were required to be performed. Staff now believes that the estimate should have been somewhat higher because of these factors; 2) The current economic climate for this specialized work appears to be less competitive than anticipated, resulting in higher bids; and 3) Since this project is being constructed using multiple bid packages, it is not unusual for there to be a higher than normal variation in the individual bid packages. For example, when comparing the total combined bid prices for Packages 1 and 2 (\$15,733,100) to the combined Engineer's Estimates (\$20,360,000), the combined bid prices are 23 percent below the combined Engineer's Estimates. So, despite the higher than anticipated bid for Package 2, the total of the bids received to date for this multi-package project are still significantly below the original estimate.

In accordance with Federal Regulations, 49 CFR Part 26 and Resolution No. 69095, a DBE goal of 1 percent was established for this project. Foundation Constructors, Inc. has met the DBE goal and attained 3.4 percent DBE participation.

Council policy provides for a standard contingency of ten percent on building projects. The standard contingency is appropriate for this project.

### **OUTCOME**

Award of the construction contract to Foundation Constructors, Inc. will enable the North Concourse Building Foundation Piles (Package 2) Project to proceed. Approval of the 10 percent contingency will allow funding for unforeseen conditions encountered during construction of the project.

### **PUBLIC OUTREACH**

To solicit contractors, this project was listed on the City's Internet Bid Line and advertised in the *San José Post Record*. Bid packages for all Department of Public Works construction projects are provided to various contractor organizations and builder's exchanges.

### **AIRPORT MASTER PLAN CONSISTENCY**

The San José Municipal Code requires that capital projects at the Airport be consistent with the adopted Airport Master Plan. The foundation piles for the North Concourse Building are a component of the Central Terminal project expressly identified in the Airport Master Plan as Project "T-5", and is therefore consistent with the Airport Master Plan under Municipal Code Section 25.04.210(B)(2).

### **COORDINATION**

This project and memorandum have been coordinated with the City Attorney's Office, City Manager's Budget Office and Department of Planning, Building and Code Enforcement.

### **COST IMPLICATIONS**

1. AMOUNT OF RECOMMENDATION: \$5,543,350

2. COST OF PROJECT:

Project Delivery**	\$1,851,000
Construction*	\$5,679,350
Contingency	<u>\$554,335</u>
<b>TOTAL PROJECT COST:</b>	<b>\$8,084,685</b>

Prior Year Expenditures	(\$611,235)
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<b>REMAINING PROJECT COSTS</b>	<b>\$7,473,450</b>
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3. SOURCE OF FUNDING: 520 - Airport Capital Improvement Fund  
526 - Airport Revenue Bond Improvement Fund
4. FISCAL IMPACT: This project is consistent with the Council-approved Budget Strategy Economic Recovery section in that it will spur construction spending in our local economy. The project has been reviewed and was determined that it will have no significant adverse impact on the General Fund operating budget.

\* Includes the following estimated costs: OCIP - \$136,000 and construction - \$5,543,350.

\*\* Includes an additional \$154,000 for the Package 2 portion of geotechnical and environmental investigations.

HONORABLE MAYOR AND CITY COUNCIL

06-14-05

Subject: SJC North Concourse Building Foundation Piles (Package 2)

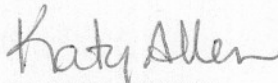
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**BUDGET REFERENCE**

Fund #	Appn #	Appn. Name	RC #	Total Appn	Estimated Contract Amount	2004-2005 Adopted Budget (Page)	Last Budget Action (Date, Ord. No.)
<b>Remaining Project Costs</b>				<b>\$7,473,450</b>			
<b>Current Funding Available</b>							
520	4657	North Concourse Building	12745X	\$18,165,000	\$461,207	Capital V-82	10/12/04 Ord. No. 27267
526 (548)	4657	North Concourse Building	12745X	\$200,007,000	\$5,082,143	Capital V-82	10/12/04 Ord. No. 27267
		<b>Total Current Funding Available</b>		<b>\$218,172,000</b>	<b>\$5,543,350</b>		

**CEQA**

Resolutions No. 67380 and 71451, PP 05-087



KATY ALLEN  
Director, Public Works Department



*for*

WILLIAM F. SHERRY, A.A.E.  
Director of Aviation  
Airport Department

TF:CT:mm